

Message Text

UNCLASSIFIED

PAGE 01 LONDON 01621 01 OF 02 051705Z

41

ACTION EUR-25

INFO OCT-01 ISO-00 SPC-03 SAM-01 AID-20 EB-11 NSC-10

RSC-01 CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02

CIAE-00 COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12

LAB-06 SIL-01 L-03 H-03 PA-04 PRS-01 USIA-15 INT-08

FEA-02 IO-14 ABF-01 DRC-01 /195 W

----- 068844

R 051654Z FEB 74

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 7713

UNCLAS SECTION 01 OF 02 LONDON 01621

DEPARTMENT ALSO PASS TREASURY AND FRB

E.O. 11652: N/A

TAGS: EFIN, UK

SUBJECT: LEAD TIMES EDITORIAL ON "AN EXEMPLARY U.S.
BUDGET"

1. ATTACHED IS FULL TEXT OF LEAD EDITORIAL IN LONDON
TIMES OF FEBRUARY 5 THAT MAY BE OF INTEREST TO WASHINGTON
AGENCIES.

2. QUOTE AN EXEMPLARY U.S. BUDGET

AS USUAL IN ECONOMIC AFFAIRS THE REST OF THE WORLD HAS
REASON TO BE GRATEFUL TO THE UNITED STATES, THOUGH JUST AS
USUALLY LITTLE SUCH GRATITUDE IS LIKELY TO BE FELT OR
EXPRESSED. PRESIDENT NIXON'S BUDGET MAY OR MAY NOT BE
EXACTLY WHAT THE AMERICAN ECONOMY REQUIRED IN THE FACE OF
A MATURING RECESSION AND OF AN EXCEPTIONALLY SAVAGE BOUT
OF INFLATION. BUT IT CERTAINLY IS PRECISELY WHAT THE
WORLD ECONOMY NEEDED FROM THE MAJOR COUNTRY WHICH PRACTIC-
ES AS WELL AS PREACHING A SENSE OF INTERNATIONAL RESPON-
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 LONDON 01621 01 OF 02 051705Z

SIBILITY IN ITS NATIONAL ECONOMIC POLICIES, PROPORTIONATE

TO ITS ECONOMIC POWER.

3. THE FACT THAT THE GOVERNMENT OF THE UNITED STATES SHOULD NOW PROPOSE A BUDGET DEFICIT OF NEARLY \$10,000M IN THE FISCAL YEAR BEGINNING NEXT SUMMER IN ORDER TO FORESTALL, NOT MERELY AMERICA'S RECESSION, BUT THE DANGER OF A BEGGAR-MY-NEIGHBOUR WORLD RECESSION, SHOULD SPEAK VOLUMES TO ANY WHO CAN HEAR IT ABOVE THE ECONOMIC NATIONALISM ON THIS SIDE OF THE ATLANTIC. JUST CONSIDER THE CIRCUMSTANCES.

4. HERE IS A COUNTRY EMBROILED IN ITS MOST SERIOUS DOMESTIC POLITICAL CRISIS FOR A CENTURY. HERE IS A HEAD OF GOVERNMENT WHO IS SUPPOSED TO BE PARALYSED BY A WHIRLWIND INHERITED FROM HIS PAST INDISCRETIONS. IT IS A COUNTRY WHICH IS FACING AS SHARP AN ATTACK OF RISING PRICES AS IT HAS KNOWN IN A QUARTER OF A CENTURY, A COUNTRY WHICH HAS ALWAYS HAD THE LOWEST TOLERANCE OF INFLATION OF ANY INDUSTRIAL NATION.

5. IT IS, MOREOVER, A COUNTRY WHICH HAS BEEN STRUGGLING FOR FIVE YEARS TO CORRECT AN ENDEMIC BALANCE OF PAYMENTS DEFICIT WHICH WAS BY THE END OF LAST YEAR ON THE BRINK OF BREAKING THROUGH TO A HEALTHY SURPLUS. THIS WAS A DEFICIT ENFORCED UPON THE UNITED STATES BY THE MERCANTILIST EXCHANGE RATE POLICIES OF LESSER INDUSTRIAL COUNTRIES, WHO WHILE REAPING THE BENEFITS IN RAPID GROWTH OF THAT VERY AMERICAN DEFICIT CEASELESSLY LECTURED THEIR BENEFACITOR ON HIS FINANCIAL IMPROPRIETY.

6. IT WAS THE SAME LESSER INDUSTRIAL COUNTRIES WHICH IN THE AUTUMN AND WINTER OF 1971 TURNED A DEAF EAR WHEN MR. JOHN CONNALLY, AS SECRETARY OF THE UNITED STATES TREASURY, CAME TO LONDON AND THEN TO ROME TO ASK THE OTHER NINE MAIN INDUSTRIAL COUNTRIES TO HELP AMERICA TO ADJUST ITS BALANCE OF PAYMENTS. THE HANDS WHICH MIGHT HAVE EXTENDED FRIENDSHIP -- OR EVEN GRATITUDE FOR A POST-WAR ERA OF UNPRECEDENTED PROSPERITY -- MERELY POINTED FINGERS OF ACCUSATION AGAINST THIS, THAT OR THE OTHER IMAGINED AMERICAN MISDEED.

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 LONDON 01621 01 OF 02 051705Z

7. WHEN THE WHEEL OF FORTUNE TURNED AND OIL BECAME SCARCE AND EXPENSIVE, THESE SMALLER COUNTRIES AGAIN FOUND THEMSELVES IN TROUBLE, THEIR CURRENCIES WEAK AND THEIR BALANCE OF PAYMENTS PLUNGING DEEPLY INTO DEFICIT. WHILE AMERICA PAINSTAKINGLY REBUILT THE FABRIC OF AT LEAST TEMPORARY STABILITY IN THE MIDDLE EAST, WESTERN EUROPE TALKED OF "COMMON POLICIES" MEANWHILE RUSHING SEPARATELY TO THE

SHAIKHS' BACKDOORS TO FIX UP ANY PRIVATE DEAL THEY COULD GET.

8. IN VAIN DID MR. NIXON'S REPRESENTATIVES APPEAL FOR CALM, FOR COLD APPRAISAL, FOR CONCERTED RESPONSES. IN VAIN DID THEY ARGUE THAT OIL PRICES COULD BE BROUGHT DOWN AND THAT NO CARTEL IN HISTORY HAD WITHSTOOD A DETERMINED CHALLENGE. IN VAIN DID THEY SPELL OUT THE DANGERS

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 LONDON 01621 02 OF 02 051703Z

45

ACTION EUR-25

INFO OCT-01 ISO-00 SPC-03 SAM-01 AID-20 EB-11 NSC-10

RSC-01 CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02

CIAE-00 COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12

LAB-06 SIL-01 L-03 H-03 PA-04 PRS-01 USIA-15 INT-08

FEA-02 SCI-06 IO-14 DRC-01 ABF-01 /201 W

----- 068859

R 051654Z FEB 74

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 7714

UNCLAS SECTION 02 OF 02 LONDON 01621

OF HANGING SEPARATELY, OF BEGGARING EACH OTHER THROUGH PANICKY ATTEMPTS TO BALANCE NATIONAL TRADE BY COMPETITIVE DEPRECIATION.

9. NOW MR. NIXON HAS INVITED THE MEMBERS OF THE OECD'S HIGH-LEVEL POLICY GROUP TO WASHINGTON NEXT MONDAY TO HAMMER OUT A VIABLE AND COHERENT RECONCILIATION OF SHORT-TERM NATIONAL RESPONSES TO THE WORLD-WIDE OIL SHORTAGE. FEW, IT SEEMS, OF THE SMALLER COUNTRIES ARE PREPARED TO SEND SENIOR POLITICAL REPRESENTATIVES; AND FRANCE HAS SOWN CAREFULLY DISSEMINATED DOUBTS WHETHER SHE WILL BE ATTENDING AT ALL.

10. INTO THIS SCRAMBLE FOR SHORT-TERM NATIONAL ADVANTAGE THE UNITED STATES HAS ONCE AGAIN INJECTED AN EXEMPLARY ACT OF ECONOMIC STATESMANSHIP. TO REFLATE THE AMERICAN ECONOMY, WITH ALL THE RISKS WHICH THIS IMPLIES FOR PRICES IN AMERICA AND FOR THE UNITED STATES BALANCE OF PAYMENTS SETS AN EXAMPLE OF RESPONSIBILITY WHICH DESERVES THE WIDEST POSSIBLE EMULATION.

11. THE CHANCE FOR THE SMALLER COUNTRIES OF THE WESTERN UNCLASSIFIED

UNCLASSIFIED

PAGE 02 LONDON 01621 02 OF 02 051703Z

WORLD'S INDUSTRIAL COMMUNITY TO REDEEM THEMSELVES WILL COME AT NEXT WEEK'S MEETINGS IN WASHINGTON, AND WHEN THE MAIN TEN INDUSTRIAL COUNTRIES MEET UNDER THE AUSPICES OF THE OECD IN PARIS LATER NEXT WEEK TO APPORTION SHARES IN THE INEVITABLE COLLECTIVE PAYMENTS DEFICIT WITH THE OIL PRODUCING COUNTRIES. UNILATERAL COUPS SHOULD NOW GIVE WAY TO COOL JOINT APPRECIATION OF THE COMMON INTEREST IN MUTUAL RESPONSIBILITY. UNQUOTE.

12. OTHER RESPONSIBLE U.K. PRESS COMMENT, INCLUDING FINANCIAL TIMES EDITORIAL, REFERS TO BUDGET AS EXPANSIONARY AND FLEXIBLE. OTHER PRESS ARTICLES NOTE INCREASE IN DEFENSE SPENDING.

ANNENBERG

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PRESS COMMENTS, GOVERNMENT BUDGET, FOREIGN RELATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 05 FEB 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974LONDON01621
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: LONDON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740255/aaaabzsc.tel
Line Count: 200
Locator: TEXT ON-LINE
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: kelleyw0
Review Comment: n/a
Review Content Flags:
Review Date: 25 FEB 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <25 FEB 2002 by elbezefj>; APPROVED <26 NOV 2002 by kelleyw0>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: LEAD TIMES EDITORIAL ON "AN EXEMPLARY U.S. BUDGET"
TAGS: EFIN, UK, US
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005